

USDA Rural Development Business & Industry Loan Guarantees

Applicant

Project Type

For profit

Individual

- Investor owned real estate that is leased back to the investor owned operating entity.

Corporation

- Assisted living / other health service type provider
- Beef slaughter and further processing
- Bio diesel manufacturing
- Building supply
- Carbon dioxide manufacturing
- Cold storage
- Feed mill and supply
- Food ingredient manufacturing
- Grain milling
- Greenhouse
- Movie theatre complex
- Motel
- Nursing home
- Retail
- Transportation
- Value added agriculture (e.g. further processing into food ingredients, seed and sod)
- Various manufacturing
- Wholesale

Cooperative

- Cheese manufacturing
- Distributor
- Ethanol manufacturing
- Poultry slaughter and further processing

Not for profit

Community development foundations and organizations

- Medical services
- Youth shelter services
- Retail

USDA Rural Development Commercial Loan Guarantees

300% more funds; up to 90 percent guarantee, no annual renewal fee and 1 percent guarantee fee available on eligible projects through September 30, 2010

Business Size Standards

- No net worth or net profit limit

Borrower Contribution / Equity Injection

- No cash contribution necessary
- Existing business = 10% tangible balance sheet equity
- New business = 20 % tangible balance sheet equity

Loan Size

- \$25 million loan per borrower
- \$40 million loan if cooperative

Guarantee Percentage

- 90 percent available on loans up to \$10 million that meet high priority score AND quality jobs AND location criteria (Recovery)
- 80 percent - ≤ \$5 million
- 70 percent - \$5 - \$10 million
- 60 percent - \$10+ million

Job Creation

- No requirements

Loan Terms

- 30 years for real estate
- 15 years for equipment
- 7 years for working capital
- Refinancing based on collateral

Interest Rates

- Variable or fixed, negotiated between lender and business

Eligible Businesses

- Located in rural communities less than 50,000 population
- Individuals / Investors
- For profit entities
- Not for profit organizations

Eligible Purposes

- Plant, property, equipment
- Working capital
- New construction/
- Renovation / expansion
- Restructure / refinance debt

Lenders use RD guarantees

- Risk management – collateral stability
- Capital allocation – improve risk based capital utilization
- Liquidity – secondary market acceptable
- Larger loans – provide financing beyond normal lending limit
- Community development – improve local economy with more competitive proposals. CRA credit often applies

Business use RD guarantees

- Improve cash flow with longer repayment terms
- Obtain working capital
- Improve balance sheet structure
- Obtain longer term capital to acquire, restructure or refinance plant, property and equipment without balloon payments

How to apply

- Submit Pre-application and lender's own credit presentation to Rural Development
- Pre-application found on line at http://www.rurdev.usda.gov/ia/rbcs_guarantee_preapplication_form.doc.
- Submit Pre-applications to:
USDA Rural Development
210 Walnut Street, Room 873
Des Moines, IA 50309.
- For additional contact information, go to:
<http://www.rurdev.usda.gov/ia/rbs.html>